

GL240 Date 07/09/07
Time 09:48

Company 24 - AQUA ILLINOIS INC.
Journal Edit Listing
For Fiscal Year 2007 - Periods 06 - 06

USD

Page 1

Journal GL N 35-00 Manteno Acquisition Fiscal Year 2007 Period 6
Status Released Hold Code Operator bmbaker
Posting Date 06/30/07 Transaction Date 07/09/07 Reverse No Reverse Pd
Reference Document Journal Book

Line	Account	Activity	Reference	SC Rvs	Debit	Credit
1	900 634810-0000	State Billings Clearing Desc Manteno Acquisition		JE		4,500,000.00
2	100 104000-0000 24011004162 120	Utility Plant Purchased/Sold Desc Manteno Acquisition		JE		29,654.27
3	100 114000-0000	U Plant Acq Adj Desc Manteno Acquisition		JE		4,896,604.00
4	100 301000-0000	PPE-ORGANIZATION Desc Manteno Acquisition		JE	29,654.27	
5	100 307000-0000	PPE-WELLS & SPRINGS Desc Manteno Acquisition		JE	449,900.00	
6	100 311000-0000	PPE-PUMPING EQUIPMENT Desc Manteno Acquisition		JE	57,600.00	
7	100 320000-0000	PPE-WATER TREATMENT EQUIP Desc Manteno Acquisition		JE	827,400.00	
8	100 330000-0000	PPE-DISTIB RES & STANDPIPE Desc Manteno Acquisition		JE	1,439,800.00	
9	100 331000-0000	PPE-T & D MAINS Desc Manteno Acquisition		JE	7,216,500.00	
10	100 333000-0000	PPE-SERVICES Desc Manteno Acquisition		JE	1,379,600.00	
11	100 334000-0000	PPE-METERS-PURCHASES Desc Manteno Acquisition		JE	592,800.00	
12	100 335000-0000	PPE-FIRE HYDRANTS Desc Manteno Acquisition		JE	535,200.00	
13	100 342000-0000	PPE-STORES EQUIP Desc Manteno Acquisition		JE	50,000.00	
14	100 346000-0000	PPE-COMMUNICATION EQUIP Desc Manteno Acquisition		JE	219,000.00	

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2007 DEC - 3 A 9:35

ILLINOIS COMMERCE COMMISSION

BAB 7/9/07

P14 7/13/07

Journal	GL N	35-00 Manteno Acquisition	Fiscal Year	2007	Period	6	(Continued)
Account	Activity	Reference	SC Rvs	Debit	Credit		
15 100	108000-0000		JE		67,900.00		
AD-General	Desc Wells & Spings A/D						
16 100	108000-0000		JE		7,400.00		
AD-General	Desc Pumping Equip A/D						
17 100	108000-0000		JE		35,600.00		
AD-General	Desc Water Treatment Equip A/D						
18 100	108000-0000		JE		257,100.00		
AD-General	Desc Dist Res & Standpipes A/D						
19 100	108000-0000		JE		960,300.00		
AD-General	Desc Mains A/D						
20 100	108000-0000		JE		240,000.00		
AD-General	Desc Services A/D						
21 100	108000-0000		JE		275,100.00		
AD-General	Desc Meters A/D						
22 100	108000-0000		JE		110,400.00		
AD-General	Desc Hydrants A/D						
23 100	108000-0000		JE		6,500.00		
AD-General	Desc Stores Equip A/D						
24 100	108000-0000		JE		58,000.00		
AD-General	Desc Comm Equip A/D						
25 100	271308-0000 24011004162 842		JE		1,696,629.00		
CIAC-CASH NON REFUNDABLE BUILD	Desc Manteno Acquisition						
26 100	272000-0000		JE	343,733.00			
Accum Amort of CIAC	Desc Manteno Acquisition						

*** Totals For Journal entry N- 35-00 , Source Code JE

	Debits	Credits	Difference
Base	13,141,187.27	13,141,187.27	0.00
Reverse	0.00	0.00	0.00
Entered	13,141,187.27	13,141,187.27	0.00
Unit	0.00	0.00	0.00

*** Totals For Journal entry N- 35-00

	Debits	Credits	Difference
Base	13,141,187.27	13,141,187.27	0.00
Reverse	0.00	0.00	0.00
Entered	13,141,187.27	13,141,187.27	0.00
Unit	0.00	0.00	0.00

Approved By: Paul Hanley

Date: 7/5/2007

JE Purpose: Manteno Acquisition

Accounting Unit	Account	Activity	Debit \$	Credit \$
900	634810			4,500,000.00
100	104000	24011004162		29,654.27
100	114000			4,896,604.00
100	301000		29,654.27	
100	307000		449,900.00	
100	311000		57,600.00	
100	320000		827,400.00	
100	330000		1,439,800.00	
100	331000		7,216,500.00	
100	333000		1,379,600.00	
100	334000		592,800.00	
100	335000		535,200.00	
100	342000		50,000.00	
100	346000		219,000.00	
100	108000			67,900.00
100	108000			7,400.00
100	108000			35,600.00
100	108000			257,100.00
100	108000			960,300.00
100	108000			240,000.00
100	108000			275,100.00
100	108000			110,400.00
100	108000			6,500.00
100	108000			58,000.00
100	271308	24011004162		1,696,629.00
100	272000		343,733.00	
		Totals	#####	#####

Aqua Illinois, Inc.
Village of Manteno
Agreed Upon Accounting Entries

Account Number	Description	Debit	Credit
Journal Entry #1 To record Village of Manteno initial purchase.			
(a) 104	Utility Plant Purchased or Sold	\$4,500,000	
(c) 104	Utility Plant Purchased or Sold (transaction costs)	35,000	
(a) 131	Cash (Purchase price of \$4,500,000 plus estimated closing costs of \$35,000)		(\$4,535,000)
		<u>\$4,535,000</u>	<u>(\$4,535,000)</u>
Journal Entry #2 To record Village of Manteno purchase at closing.			
(a) 104	Utility Plant Purchased or Sold		(\$4,500,000)
(c) 104	Utility Plant Purchased or Sold (transaction costs)		(35,000)
(a) 114	Utility Plant Acquisition Adjustment		(4,896,604)
(a) 301	Organization	\$35,000	
(a) 307.2	Wells & Springs	449,900	
(a) 311.2	Pumping Equipment	57,600	
(a) 320.3	Water Treatment Equipment	827,400	
(a) 330.4	Distribution Reservoirs and Standpipes	1,439,800	
(a) 331.4	Transmission & Distribution Mains	7,216,500	
(a) 333.4	Services	1,379,600	
(a) 334.4	Meter and Meter Installations	592,800	
(a) 335.4	Hydrants	535,200	
(a) 342	Stores Equipment	50,000	
(a) 346	Communication Equipment	219,000	
(a) 108	Accum. Depr. - Wells & Springs		(67,900)
(a) 108	Accum. Depr. - Pumping Equipment		(7,400)
(a) 108	Accum. Depr. - Water Treatment Equipment		(35,600)
(a) 108	Accum. Depr. - Distribution Reservoirs & Standpipes		(257,100)
(a) 108	Accum. Depr. - Mains		(960,300)
(a) 108	Accum. Depr. - Services		(240,000)
(a) 108	Accum. Depr. - Meters		(275,100)
(a) 108	Accum. Depr. - Hydrants		(110,400)
(a) 108	Accum. Depr. - Stores Equipment		(6,500)
(a) 108	Accum. Depr. - Communication Equipment		(58,000)
(a) 271	Contributions in Aid of Construction		(1,696,629)
(a) 272	Accumulated Amortization of CIAC	343,733	
	TOTAL	<u>\$13,146,533</u>	<u>(\$13,146,533)</u>
Journal Entry #3 Annual entry to record the amortization of acquisition adjustment using a 33 year life.			
(b) 115	Accum. Amort. Of Utility Plant Acquisition Adjustment	\$148,382	
(b) 421	Amortization of Utility Plant Acquisition Adjustments		(\$148,382)
		<u>\$148,382</u>	<u>(\$148,382)</u>

Source: (a) Company response to data request BAP 1.05.
(b) Aqua Exhibit 5.0, lines 55 to 56.
(c) Aqua Exhibit 5.0, lines 53 to 54.

Aqua Illinois
Manteno Water System
Original Cost Study

Account Number	Account Description	2004 Reproduction Cost New	Original Cost	Original Cost Depreciation	Original Cost Less Depreciation
307	Wells & Springs	\$ 560,000	\$ 449,900	\$ 67,900	\$ 382,000
311	Electric Pumping Equipment	60,000	57,600	7,400	50,200
320	Water Treatment Equipment	830,600	827,400	35,600	791,900
330	Standpipes	1,717,000	1,439,800	257,100	1,182,700
331	Mains	10,430,700	7,216,500	960,300	6,256,200
333	Services	2,105,300	1,379,600	240,000	1,139,600
334	Meters	659,900	592,800	275,100	317,800
335	Hydrants	827,500	535,200	110,400	424,700
342	Stores Equipment	50,000	50,000	6,500	43,500
346	Communication Equipment	219,000	219,000	58,000	161,000
Total		\$17,460,000	\$12,767,800	\$2,018,300	\$10,749,600

Because the Village does not have records to identify the actual original cost and accumulated depreciation, our estimate is based on a determination of the current reproduction cost and a trending of that cost to the year of original installation, along with an adjustment for depreciation to reflect the current condition of the assets. This method required the development of an aged inventory of the assets, a pricing of that inventory using various current cost and construction data, a trend of the current costs back to the original year of installation, and an estimate of the current condition of the assets using the ages of the assets and their relationship to the appropriate average service lives.

Account Number	Account Description	General Description	Detail	Unit	Unit Price	Year Installed	2004 Reproduction Cost New	Trend Line	Original Index	2004 Index	Original Cost	Age	Average Service Life	Percent Depreciation	Original Cost Less Depreciation
307	Wells & Springs	Well 4	electric service	EA	\$ 80,000	1979	\$ 80,000	2	167	384	\$ 38,703	27	60	45%	\$ 16,516
307	Wells & Springs	Well 5	electric service	EA	\$ 80,000	1991	\$ 80,000	2	251	384	\$ 55,185	15	60	25%	\$ 13,761
307	Wells & Springs	Well 6	electric service	EA	\$ 80,000	1996	\$ 80,000	2	295	384	\$ 64,535	10	60	17%	\$ 11,022
307	Wells & Springs	Well 7	electric service	EA	\$ 80,000	1997	\$ 80,000	2	304	384	\$ 66,613	9	60	15%	\$ 10,022
307	Wells & Springs	Well 8	electric service	EA	\$ 80,000	2001	\$ 80,000	2	338	384	\$ 74,286	5	60	8%	\$ 6,791
307	Wells & Springs	Well 9	electric service	EA	\$ 80,000	2002	\$ 80,000	2	346	384	\$ 76,044	4	60	7%	\$ 5,923
307	Wells & Springs	Well 9	electric service	EA	\$ 80,000	2002	\$ 80,000	2	346	384	\$ 76,044	4	60	7%	\$ 5,923
							\$ 680,000				\$ 448,869				\$ 331,200
311	Electric Pumping Equipment	#7	Efficiency Vertical Lift	EA	\$ 10,000	1997	\$ 10,000	9	476	547	\$ 6,702	9	35	28%	\$ 2,263
311	Electric Pumping Equipment	#8	Vertical Lift Turbine; Bronze	EA	\$ 10,000	2001	\$ 10,000	9	531	547	\$ 9,707	6	35	14%	\$ 1,359
311	Electric Pumping Equipment	#9	submersible stainless steel	EA	\$ 10,000	2002	\$ 10,000	9	533	547	\$ 9,744	4	35	11%	\$ 1,072
311	Electric Pumping Equipment	#9	GPM 8" Ground	EA	\$ 20,000	2002	\$ 20,000	9	533	547	\$ 18,485	4	35	11%	\$ 2,144
311	Electric Pumping Equipment	#4	submersible GSP & motor	EA	\$ 10,000	2004	\$ 10,000	9	547	547	\$ 10,000	2	35	6%	\$ 500
							\$ 80,000				\$ 67,841				\$ 7,238
320	Water Treatment Equipment	Chlorinator	cap.; Switch-Over w/ Dual	EA	\$ 4,000	1991	\$ 4,000	17	316	454	\$ 2,784	15	45	33%	\$ 919
320	Water Treatment Equipment	Fluoride	B111 LMI Chemical Feeder	EA	\$ 1,000	1991	\$ 1,000	17	316	454	\$ 696	15	45	33%	\$ 230
320	Water Treatment Equipment	Chlorinator	cap.; Switch-Over w/ Dual	EA	\$ 4,000	1997	\$ 4,000	17	373	454	\$ 3,286	9	45	20%	\$ 927
320	Water Treatment Equipment	Fluoride	B111 LMI Chemical Feeder	EA	\$ 1,000	1997	\$ 1,000	17	373	454	\$ 822	9	45	20%	\$ 164
320	Water Treatment Equipment	Chlorinator	cap.; Switch-Over w/ Dual	EA	\$ 4,000	2001	\$ 4,000	17	423	454	\$ 3,727	5	45	11%	\$ 410
320	Water Treatment Equipment	Fluoride	B111 LMI Chemical Feeder	EA	\$ 1,000	2001	\$ 1,000	17	423	454	\$ 932	5	45	11%	\$ 103
320	Water Treatment Equipment	Chlorinator	cap.; Switch-Over w/ Dual	EA	\$ 4,000	2002	\$ 4,000	17	436	454	\$ 3,841	4	45	9%	\$ 346
320	Water Treatment Equipment	Fluoride	B111 LMI Chemical Feeder	EA	\$ 1,000	2002	\$ 1,000	17	436	454	\$ 960	4	45	9%	\$ 346
320	Water Treatment Equipment	Chlorinator	opacity; w/ 26-PPD	EA	\$ 4,000	2002	\$ 4,000	17	436	454	\$ 1,162	4	45	9%	\$ 86
320	Water Treatment Equipment	Fluoride	B111 LMI Chemical Feeder	EA	\$ 1,000	2004	\$ 1,000	17	454	454	\$ 1,000	2	45	4%	\$ 40
320	Water Treatment Equipment	Disinfection	In-line reactors with automatic	EA	\$ 133,400	2004	\$ 133,400	17	454	454	\$ 133,400	2	45	4%	\$ 5,336
320	Water Treatment Equipment	Disinfection	In-line reactors with automatic	EA	\$ 133,400	2004	\$ 133,400	17	454	454	\$ 133,400	2	45	4%	\$ 5,336
320	Water Treatment Equipment	Disinfection	In-line reactors with automatic	EA	\$ 133,400	2004	\$ 133,400	17	454	454	\$ 133,400	2	45	4%	\$ 5,336
320	Water Treatment Equipment	Disinfection	In-line reactors with automatic	EA	\$ 133,400	2004	\$ 133,400	17	454	454	\$ 133,400	2	45	4%	\$ 5,336
320	Water Treatment Equipment	Disinfection	In-line reactors with automatic	EA	\$ 133,400	2004	\$ 133,400	17	454	454	\$ 133,400	2	45	4%	\$ 5,336
							\$ 230,600				\$ 87,441				\$ 143,159
330	Standpipes	Legged Tank Iron (repaired by Maxcor In		EA	\$ 592,000	1981	\$ 592,000	24	250	438	\$ 337,900	26	50	50%	\$ 168,950
330	Standpipes	Spheroid Iron		EA	\$ 1,125,000	2002	\$ 1,125,000	24	429	438	\$ 1,101,884	4	50	8%	\$ 88,151
							\$ 1,717,000				\$ 1,439,784				\$ 277,216
342	Stores Equipment	Inventory	Radio Water Meters (100); Hydrants (77); GI Pipe; Valve and Club Stop Boxes	EA	\$ 50,000	2002	\$ 50,000	63	132	132	\$ 50,000	4	30	13%	\$ 6,500
															\$ 43,500
346	Communication Equipment	Well #3 SCALUS Filter D6200 Telemetry C	EA	\$ 28,000	2002	2002	\$ 28,000	83	132	132	\$ 28,000	4	10	40%	\$ 11,200
346	Communication Equipment	Tank #1 SCALUS Filter D6200 Telemetry C	EA	\$ 28,000	2003	2003	\$ 28,000	83	132	132	\$ 28,000	4	10	40%	\$ 11,200
346	Communication Equipment	Tank #2 SCALUS Filter D6200 Telemetry C	EA	\$ 30,000	2003	2003	\$ 30,000	63	132	132	\$ 30,000	2	10	30%	\$ 9,000
346	Communication Equipment	Well #4 SCALUS Filter D6200 Telemetry C	EA	\$ 40,000	2004	2004	\$ 40,000	63	132	132	\$ 40,000	2	10	20%	\$ 8,000
346	Communication Equipment	Well #5 SCALUS Filter D6200 Telemetry C	EA	\$ 31,000	2004	2004	\$ 31,000	63	132	132	\$ 31,000	2	10	20%	\$ 8,000
346	Communication Equipment	Well #7 SCALUS Filter D6200 Telemetry C	EA	\$ 31,000	2004	2004	\$ 31,000	63	132	132	\$ 31,000	2	10	20%	\$ 8,000
346	Communication Equipment	Well #9 SCALUS Filter D6200 Telemetry C	EA	\$ 31,000	2004	2004	\$ 31,000	63	132	132	\$ 31,000	2	10	20%	\$ 8,000
							\$ 218,000				\$ 218,000				\$ 86,000

Account Number	Account Description	Size (in)	Type	Unit	Unit Price	Quantity	2004 Reproduction		##	Ma	Original Cost					
							Cost New				Original Cost	Depreciation	Less Depreciation			
331	Mains	2	CI	L.F.	25	2,020	\$	50,500			\$	12,100	\$	4,568	\$	7,532
			DI	L.F.	25	400	\$	10,000			\$	8,185	\$	858	\$	7,327
			PVC	L.F.	22	930	\$	20,460			\$	16,692	\$	1,790	\$	14,902
		3	CI	L.F.	28	230	\$	6,440			\$	2,278	\$	654	\$	1,624
			4	CI	L.F.	30	17,120	\$	513,600			\$	55,642	\$	31,867	\$
		DI		L.F.	30	9,600	\$	288,000			\$	238,162	\$	25,216	\$	212,946
		PVC		L.F.	28	4,450	\$	124,600			\$	109,609	\$	8,296	\$	101,313
		6	CI	L.F.	40	26,480	\$	1,059,200			\$	204,229	\$	89,113	\$	115,116
			DI	L.F.	40	52,058	\$	2,082,320			\$	1,498,073	\$	211,506	\$	1,286,567
			SC	L.F.	155	420	\$	65,100			\$	51,332	\$	6,160	\$	45,172
		8	CI	L.F.	52	640	\$	33,280			\$	11,383	\$	4,098	\$	7,285
			DI	L.F.	52	37,390	\$	1,944,280			\$	1,588,941	\$	179,261	\$	1,409,680
		12	CI	L.F.	75	390	\$	29,250			\$	11,227	\$	3,817	\$	7,410
			DI	L.F.	75	47,890	\$	3,591,750			\$	2,844,603	\$	360,290	\$	2,484,313
			SC	L.F.	195	660	\$	128,700			\$	101,482	\$	12,178	\$	89,304
		16	DI	L.F.	100	3,040	\$	304,000			\$	283,363	\$	17,002	\$	266,361
			24	PVC	L.F.	140	1,280	\$	179,200			\$	179,200	\$	3,584	\$
Grand Total						204,998	\$	10,430,680	Grand		\$	7,216,501	\$	960,258	\$	6,256,243

333	Services	3/4	Copper	EA	850	962	\$	817,700	##	Se	\$	396,510	\$	125,594	\$	270,916
					900	2	\$	1,800			\$	390	\$	225	\$	165
			Galv	EA	850	147	\$	124,950			\$	8,907	\$	7,425	\$	1,482
					900	1	\$	900			\$	55	\$	47	\$	8
		1	Lead	EA	850	2	\$	1,700			\$	58	\$	50	\$	8
			Copper	EA	850	1	\$	850			\$	497	\$	164	\$	333
					900	1,278	\$	1,150,200			\$	972,832	\$	106,213	\$	866,619
			Galv	EA	900	8	\$	7,200			\$	329	\$	281	\$	48
Grand Total						2,401	\$	2,105,300	Grand T	\$	1,379,578	\$	239,999	\$	1,139,579	

334	Meters	3/4	ECR	EA	150	423	\$	63,450	##	Me	\$	48,194	\$	37,807	\$	10,387
			Radio	EA	250	594	\$	148,500			\$	143,569	\$	50,627	\$	92,942
		5/8	ECR	EA	150	990	\$	148,500			\$	110,632	\$	86,383	\$	24,249
			Radio	EA	150	1	\$	150			\$	119	\$	89	\$	30
					250	1,197	\$	299,250			\$	290,321	\$	100,168	\$	190,153
Grand Total						3,205	\$	659,850	Grand T	\$	592,835	\$	275,074	\$	317,761	

										OC			OC Less			
335	Hydrants	4	Darling	EA	2500	2	\$	5,000	##	Hy	\$	480	\$	408	\$	72
			Hanniston	EA	2500	1	\$	2,500			\$	240	\$	204	\$	36
			Rensselaer	EA	2500	4	\$	10,000			\$	726	\$	617	\$	109
			Waterous	EA	2500	1	\$	2,500			\$	1,410	\$	508	\$	902
		4-1/2	Mueller	EA	2500	14	\$	35,000			\$	14,310	\$	5,269	\$	9,041
			Rensselaer	EA	2500	1	\$	2,500			\$	156	\$	133	\$	23
		4-1/4	Mueller	EA	2500	4	\$	10,000			\$	5,823	\$	1,877	\$	3,946
			5-1/4	Division	EA	2500	1	\$			2,500	\$	2,460	\$	148	\$
		East Jorda		EA	2500	15	\$	37,500			\$	10,580	\$	5,313	\$	5,267
		Eddy		EA	2500	2	\$	5,000			\$	485	\$	399	\$	86
		Hanniston		EA	2500	2	\$	5,000			\$	476	\$	405	\$	71
		Mueller		EA	2500	274	\$	685,000			\$	494,000	\$	93,755	\$	400,245
		Rensselaer		EA	2500	10	\$	25,000			\$	4,010	\$	1,387	\$	2,623
Grand Total						331	\$	827,500	Grand T	\$	535,156	\$	110,423	\$	424,733	

and the resources at its disposal to ensure that such quality service is provided to Manteno. The Commission will oversee Aqua's rates to ensure that they remain just and reasonable.

Accordingly, the Commission will issue a Certificate of Public Convenience and Necessity for the Manteno area as defined in Aqua's Petition. The map and legal description of the area are attached to Aqua's Petition as Exhibits B and C, respectively. The area corresponds to the residential community known as the Village of Manteno and surrounding area that is located in Kankakee County, Illinois.

III. ORIGINAL COST

The Village does not have sufficient records to identify the original cost and accumulated depreciation of its utility plant in service. As such, Aqua hired Mr. John F. Guastella, who is President of Guastella Associates, Inc., a utility management, valuation and rate consulting company, to perform an original cost study of the Manteno system. Mr. Guastella estimated the depreciated original cost of the system as of March 2006 to be \$10,749,600.

Staff did not propose any adjustments to Mr. Guastella's original cost study.

The evidence supports Mr. Guastella's findings that the original cost of the Manteno system as of March 2006 is \$10,749,600. The Commission adopts this amount as the original cost for the Manteno system.

IV. ACCOUNTING ENTRIES

Aqua witness Mr. Paul Hanley testified to the journal entries the Company proposes for the acquisition. He stated that the difference between the cost of the system, net of depreciation and applicable contributions, and the purchase price would be recorded in account 114, acquisition adjustment. Aqua proposed to dispose of the acquisition adjustment as a credit to account 421, non-operating income, amortized over a 20-year period and brought into rate base over the same period of time.

Staff witness Ms. Bonita A. Pearce recommended some adjustments to the journal entries. She proposed that the balance of account 301, Organization Costs, be limited to the lesser of \$35,000 or actual costs incurred in connection with this proceeding. Ms. Pearce also recommended that Aqua amortize the balance of account 301 over a period of time to be determined in conjunction with the next rate proceeding for the certificated area. Ms. Pearce further proposed that the acquisition adjustment be recorded in account 406, amortization of utility plant acquisition adjustments, an above-the-line account, instead of account 421. Finally, Ms. Pearce recommended that Aqua file with the Chief Clerk and with a copy to the Manager of Accounting, copies of Aqua's actual journal entries to record the water system acquisition within six months of closing the acquisition.

With regard to Staff's recommendation on organization costs that Aqua be limited to the lesser of \$35,000 or actual costs, Aqua states that its costs to acquire the system (organization costs) are necessary, prudent and do not place any rate burden on existing customers. Therefore, Aqua believes that it should be permitted to record the full amount of its actual costs in account 301. Aqua also disagrees with Staff's recommendation that the acquisition adjustment be recorded in account 406 above-the-line instead of account 421 below-the-line because above-the-line treatment is not in accordance with Commission practice.

Aqua agreed to file with the Chief Clerk, with a copy to the Manager of Accounting, copies of Aqua's actual journal entries to record the water system acquisition within six months of closing the acquisition. Aqua and Staff ultimately reached agreement on the other accounting issues for purposes of resolving this case. Per the agreement, Aqua will limit the organization costs to be recorded in account 301, organization costs, to the lesser of the actual amount incurred or \$35,000, and will amortize the balance of account 301 over the period of time determined in Aqua's next rate proceeding that includes the certificated area. Regarding the acquisition adjustment, Aqua will record the amortization of the acquisition adjustment below-the-line as a credit to account 421, non-operating income, over a thirty-three year period instead of Aqua's proposed twenty year period. Journal entries that reflect this agreement are set forth in Staff Exhibit 5.0, Schedule 5.1.

The Commission finds that the resolution agreed-to between Aqua and Staff is just and reasonable, and supported by substantial evidence. Testimonial support for the resolution is provided by Aqua witness Mr. Hanley and Staff witness Ms. Pearce. The Commission hereby approves Aqua's proposed journal entries as modified by the parties' stated resolution.

V. RATES

Aqua proposes that customers in the Village pay the same rates as customers in Aqua's Kankakee Division with the exception of the Public Fire Protection Charge. It explains that, in the short-term, this will result in a rate increase for Village customers; but, in the long-term, it will result in rate stabilization. Aqua states that fixed costs would be spread over a larger customer base. In addition, Village customers no longer would need to use home treatment devices or bottled water to eliminate high levels of iron and hardness in water from the Village's existing well supply because water from the Kankakee plant neither requires nor needs additional softening or iron removal. Aqua explains that its business model also would aid rate stabilization because expert services are provided by a service company to all Aqua systems, thereby eliminating the need for an individual division to perform all functions related to accounting, financial services, administration, communications, engineering, human resources, information systems, rates, risk management, water quality, purchasing and legal services. Aqua's centralized business model creates efficiencies, thereby lowering these not insubstantial costs while providing direct access to significant subject matter expertise. Aqua states

Bill of Costs

Account Category Type: Cost
" 07/31/07

PostDate	Sy	Sc	Co	Account	Reference	Description	Curr	Activity	Amount	Units	Percent
Activity Group	:			160							
Activity	:			24011004162	Acquis. Revenue Producing Proj						
Account Category	:			110	CWIP - Payroll	Manteno Acquisition	00160-24011028-0000000000004162				
04/01/07	PR	PW	24	100	105020-0000	PR198	Expense accrual	USD	140.77	8.00	1
04/29/07	PR	PW	24	100	105020-0000	PR198	Expense accrual	USD	563.08	32.00	2
Acct Category Totals: 110											
CWIP - Payroll											
Account Category : 120											
CWIP - Accounts Payable											
03/31/06	AP	AD	24	110	105030-0000	28015SONNENSCHN NATH	USD		960.00	0.00	3
04/30/06	GL	JE	24	100	105030-0000	Record Danny Allen Labor	USD		219.72	0.00	1
05/31/06	AP	AD	24	100	105030-0000	306GUASTELLA ASSOCIA	USD		919.50	0.00	3
05/31/06	AP	AD	24	100	105030-0000	306GUASTELLA ASSOCIA	USD		5,751.50	0.00	19
05/31/06	AP	AD	24	100	105030-0000	28015SONNENSCHN NATH	USD		2,215.00	0.00	8
05/31/06	GL	JE	24	110	105030-0000	Reclass DEA Labor	USD		114.51	0.00	0
06/30/06	AP	AD	24	100	105030-0000	9558TYSON ENGINEERING	USD		3,080.00	0.00	10
07/31/06	AP	AD	24	110	105030-0000	28015SONNENSCHN NATH	USD		80.00	0.00	0
07/31/06	GL	JE	24	110	105030-0000	Record items from Sonnensc	USD		407.50	0.00	1
07/31/06	GL	JE	24	110	105030-0000	Sonnenschien Credit for Ju	USD		180.00	0.00	1
08/31/06	AP	AD	24	110	105030-0000	28015SONNENSCHN NATH	USD		1,084.00	0.00	4
08/31/06	AP	AD	24	110	105030-0000	28015SONNENSCHN NATH	USD		1,520.00	0.00	5
08/31/06	GL	JE	24	110	104000-0000	Record Sonn. Aug. credit	USD		175.50	0.00	1
08/31/06	GL	JE	24	110	104000-0000	Reclass Manteno acq. costs	USD		13,927.73	0.00	47
08/31/06	GL	JE	24	110	105030-0000	Reclass Manteno acq. costs	USD		1,742.01	0.00	6
09/30/06	AP	AD	24	110	105030-0000	Reclass Manteno acq. costs	USD		12,185.72	0.00	41
09/30/06	AP	AD	24	110	104000-0000	18556ECI CONFERENCE CA	USD		10.77	0.00	0
10/31/06	AP	AD	24	110	105030-0000	Record Sonnenschien Sep Cr	USD		47.55	0.00	0
10/31/06	AP	AD	24	110	105030-0000	28015SONNENSCHN NATH	USD		930.00	0.00	3
10/31/06	GL	JE	24	110	105030-0000	28015SONNENSCHN NATH	USD		720.00	0.00	2
11/30/06	AP	AD	24	110	104000-0000	Record Sonnenschn Oct cred	USD		60.00	0.00	0
11/30/06	GL	JE	24	110	105030-0000	28015SONNENSCHN NATH	USD		975.61	0.00	3
12/31/06	AP	AD	24	110	104000-0000	Record Sonnenschien Credit	USD		265.00	0.00	1
12/31/06	AP	AD	24	110	105030-0000	28015SONNENSCHN NATH	USD		1,520.00	0.00	5
12/31/06	GL	JE	24	110	104000-0000	28015SONNENSCHN NATH	USD		1,002.00	0.00	3
12/31/06	GL	JE	24	110	104000-0000	Reclassify Manteno Acq leg	USD		5,240.38	0.00	18
04/30/07	AP	AD	24	110	105030-0000	Reclassify Manteno Acq leg	USD		5,240.38	0.00	18
04/30/07	AP	AD	24	110	105030-0000	28015SONNENSCHN NATH	USD		5,400.00	0.00	18
04/30/07	AP	AD	24	110	105030-0000	28015SONNENSCHN NATH	USD		608.41	0.00	2
Acct Category Totals: 120											
CWIP - Accounts Payable											
Account Category : 160											
CWIP - Payroll Overhead											
04/30/07	AL	AL	24	110	105070-0000	110	MONTHLY PAYROLL ALLOCATION	USD	703.85	0.00	2
Acct Category Totals: 160											
CWIP - Payroll Overhead											
Activity Totals : 24011004162											
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AC471 Date 07/07
Time 13:24

Bill of Costs

Page 2

Account Category Type: Cost
- 07/31/07

PostDate	Sy	Sc	Co	Account	Reference	Description	Curr	Activity Amount	Units	Percent
Activity Group	:	160				Acquis. Revenue Producing Proj				
Activity	:	24011004162				Manteno Acquisition	00160-24011028-0000000000004162			
Account Category	:	160				CWIP - Payroll Overhead				
Activity Grp Totals	:	160				Acquis. Revenue Producing Pro		29,654.27	40.00	
Report Totals								29,654.27	40.00	